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SUBJECT: AIRBUS DETERMINED TO BREAK BOEING IN ALGERIA

REF: ALGIERS 319

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11. (U) Airbus has dramatically increased pressure on Algeria to dump Boeing, going so far as to offer to buy Air Algerie's entire Boeing 737 fleet and replace it with Airbus aircraft, simulators and training. As reported in reftel, Airbus has been lobbying Air Algerie intensely for some time, but Air Algerie president Abdelwahid Bouabdallah told the Ambassador on October 7 that these efforts were becoming harder to resist. Bouabdallah, in the presence of Minister of Transportation Amar Tou, said he wished Boeing would be "more present" in Algeria, and hoped that Air Algerie might move up in Boeing's delivery queue given that other companies have "dropped out due to the economic crisis." Ambassador advocated on Boeing's behalf several times directly to Tou and Bouabdallah during the meeting, saying that the U.S. valued Boeing's history with Air Algerie and wanted to continue the relationship. Bouabdallah said that French President Nicolas Sarkozy personally lobbies regularly for Airbus, and that he himself receives a call from the president of Airbus "at least once a week." Air Algerie is due to release a decisive tender for eleven mid-range aircraft later this month, to modernize its fleet of 737s.

12. (SBU) According to Bouabdallah, Air Algerie is "the most Boeing-oriented carrier" in the region, and that given its history with Boeing 737 aircraft, Boeing remains "the natural choice" for Air Algerie. However, he repeated several times that Airbus was applying "extreme pressure" and at one point cautioned the Ambassador not be surprised "should we change our orientation." He said that Airbus' latest offer was to buy all of Air Algerie's Boeing fleet and replace it with their own, in order to lock down the Maghreb market. Bouabdallah said that Tunisia has committed itself to Airbus, while Morocco remains heavily focused on Boeing. This, he explained, caused Airbus to see Algeria as "the tipping point" for domination of the regional market. He regretted that, in comparison to Airbus, Boeing had "not been present" and asked the Ambassador to relay the message to Boeing. Bouabdallah said that currently, Air Algerie was scheduled to take delivery of new Boeing 737s in 2014, and asked if this timetable could be accelerated. Bouabdallah also asked for more Boeing training and maintenance support, as Airbus has

offered to engage and replace Boeing in these areas as well.

13. (SBU) COMMENT: This discussion took place within the context of a larger discussion on Open Skies and Algerian interest in a direct route for Air Algerie between Algiers and New York. This indicates that the Algerian government and Air Algerie are keen to maintain if not strengthen their U.S. connection. However, this is the most alarmist Bouabdallah has been about the possible demise of Boeing in the Algerian market in several discussions we have had with him and his staff since he took over Air Algerie earlier this year. The offer to replace the entire Air Algerie Boeing fleet is also the most aggressive Airbus tactic we have heard to date. In order to present a strong U.S. response to Airbus' lobbying efforts, we have also engaged the Advocacy Center of the Foreign Commercial Service, which has already been in touch with Boeing to discuss next steps. Our impression was that Bouabdallah wanted to stay with Boeing, all things being equal, but he was warning us that all things may not be equal if Airbus continues to step up the political pressure.

PEARCE